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FM AMEMBASSY BEIJING

TO SECSTATE WASHDC PRIORITY 4321 1000Z MAR 79

UNCLAS SECTION 1 OF 3 BEIJING 3143

PASS TREASURY

L.D. 17055: HJD

INFO: DPMU CH US

SUBJ: SECRETARY BLUMENTHAL'S MARCH 1 PRESS CONFERENCE

THE FOLLOWING IS A TRANSCRIPT OF SECRETARY BLUMENTHAL'S MARCH 1 PRESS CONFERENCE HELD AT 6:00 PM AT THE AMERICAN EMBASSY BEIJING:

BEGIN TEXT

BLUMENTHAL: I'D LIKE TO SUMMARIZE FOR YOU THE WORK THAT WE HAVE DONE HERE IN THE COURSE OF THE LAST SEVERAL DAYS IN OUR DISCUSSIONS WITH CHINESE OFFICIALS RELATING TO THE NORMALIZATION OF ECONOMIC RELATIONS BETWEEN OUR TWO COUNTRIES. I THINK YOU ARE ALL AWARE OF THE MEETINGS THAT I HAVE HAD WITH THE VARIOUS OFFICIALS AND WHO THEY WERE. LET ME RUN BRIEFLY THROUGH THE VARIOUS SUBJECTS AND WHERE THEY STAND.

Q: WITH REGARD TO THE CLAIMS ASSETS QUESTION, COULD YOU TELL US WHAT HAS BEEN DONE? NO FINAL AGREEMENT HAS YET BEEN REACHED AND WE ARE STILL WORKING ON IT BUT WE HAVE MADE A GREAT DEAL OF PROGRESS AND IT WILL, I FEEL, BE REACHED SOON.

INFO: D. ON TRADE QUESTIONS WE HAD A NUMBER OF WORKING SESSIONS RELATING TO A TRADE AGREEMENT. BOTH GOVERNMENTS HAVE EXPRESSED A MUTUAL INTEREST TO PROCEED RAPIDLY TOWARD SUCH AN AGREEMENT. IT WAS AGREED BETWEEN US THAT THAT AGREEMENT HAS TO DEAL WITH MOST FAVORED NATION TREATMENT AND RECIPROCITY, WITH FACILITIES FOR BUSINESSMEN, WITH GOVERNMENT TRADE OFFICES AND TRADE EXHIBITS, WITH PATENT AND COPYRIGHT QUESTIONS, DISPUTE SETTLEMENT AND INDUSTRIAL COOPERATION. THE TWO GOVERNMENTS ALSO AGREED TO THE ESTABLISHMENT AND THE STRUCTURE OF A US-CHINA JOINT ECONOMIC COMMITTEE. THIS COMMITTEE WILL BE CHARGED WITH COORDINATING AND OVERSEEING THE ORDERLY DEVELOPMENT OF ECONOMIC RELATIONS BETWEEN THE TWO COUNTRIES. IT WILL BE CO-CHAIRED BY VICE PREMIER YU QIULI FOR CHINA AND BY HIMSELF FOR THE US. THE MEMBERS OF THE COMMITTEE ON BOTH SIDES WILL BE ON THE US SIDE A CABINET LEVEL AND ON THE CHINESE SIDE AT A CORRESPONDING LEVEL. IN THAT REGARD I INVITED VICE PREMIER YU TO VISIT WASHINGTON AT A MUTUALLY CONVENIENT TIME IN ORDER TO CONTINUE THE WORK OF THE COMMITTEE AND IT IS EXPECTED THAT BY THE TIME THE VICE PREMIER WILL VISIT WASHINGTON HE WILL HAVE REACHED A POINT WHERE ANOTHER MEETING OF THE JOINT ECONOMIC COMMITTEE WILL BE NECESSARY. DURING THE MEETINGS WITH OFFICIALS OF THE BANK OF CHINA I INVITED THE BANK TO OPEN A BRANCH OFFICE IN THE UNITED STATES AND OFFICIALS FROM THE BANK INFORMED ME THAT THEY INTENDED TO DO SO AT AN EARLY DATE. IN TURN, THE BANK OF CHINA HAS INVITED A DELEGATION FROM THE FEDERAL RESERVE SYSTEM TO VISIT BEIJING. AS YOU KNOW, WE ALSO HAD TWO WORKING SESSIONS ON TAX MATTERS AND INFORMATION WAS EXCHANGED BETWEEN OFFICIALS ON BOTH SIDES ON THEIR RESPECTIVE TAX SYSTEMS. THE ESTABLISHMENT OF THE JOINT COMMITTEE, THE INITIATION OF THE DISCUSSIONS ON THE TRADE AGREEMENT AND ON BUSINESS FACILITATION, THE EXCHANGE OF

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INFORMATION ON TAXATION, THE EXCHANGE OF INFORMATION ON BANKING AND THE AGREEMENTS REACHED ALTOGETHER HAVE MADE CONSIDERABLE PROGRESS IN IMPLEMENTING THE NORMALIZATION OF OUR ECONOMIC RELATIONS. WE ARE VERY ENCOURAGED BY THIS AND CERTAINLY CONSIDER THAT THE PURPOSE FOR WHICH I CAME TO VISIT BEIJING AS IT RELATES TO OUR ECONOMIC RELATIONS HAS BEEN ACHIEVED. I'LL TAKE THE QUESTIONS NOW.

Q: IN SPEAKING OF THE ASSETS ISSUE YOU MENTIONED THAT YOU ARE STILL WORKING ON IT. ARE YOU INDICATING THAT AN AGREEMENT MIGHT STILL BE REACHED WHILE YOU ARE STILL IN CHINA?

A: I CAN'T TELL. IT IS POSSIBLE. WE WILL CONTINUE TO WORK ON THIS AND WE WILL ADVISE YOU IF THERE ARE FURTHER DEVELOPMENTS.

Q: ARE YOU SAYING THAT WHILE YOU ARE IN SHANGHAI NEGOTIATIONS WILL BE GOING ON?

A: I WILL BE WITH OFFICIALS OF THE MINISTRY OF FINANCE AND WE WILL CONTINUE TO WORK ON THIS PROBLEM.

Q: WILL IT BE A MATTER OF DAYS, WEEKS OR MONTHS ON THE CLAIMS/ASSETS ISSUE?

Q: I THINK WE HAVE MADE CONSIDERABLE PROGRESS AND I DON'T THINK IT SHOULD TAKE A LONG PERIOD OF TIME.

Q: WHAT FURTHER DO THE CHINESE HAVE TO DO TO ACCOMPLISH MFN STATUS?

A: AT THIS POINT THEY DON'T HAVE TO DO ANYTHING. THIS WILL BE CONTAINED IN A TRADE AGREEMENT AND WE WILL BE NEGOTIATING WITH THEM IN COMING WEEKS AND MONTHS. WE HAVE NOT ASKED THEM TO DO ANYTHING FURTHER AT THIS POINT.

Q: DOES THAT MEAN WE CAN TAKE IT THEY ARE ABOUT TO BE GRANTED MFN STATUS?

A: NO, NOT AT ALL.

Q: ARE YOU SAYING THEY ARE UNELIGIBLE FOR MFN STATUS?

A: NO, I AM NOT SAYING THAT EITHER. I AM SAYING THAT WE HAVE NOT ASKED THE CHINESE TO DO ANYTHING FURTHER. WE HAVE AGREED THAT THE QUESTION OF MFN HAS TO BE DEALT WITH IN THE CONTEXT OF A TRADE AGREEMENT. WE HAVE FURTHER AGREED THAT NEGOTIATIONS ON A TRADE AGREEMENT WILL BE PURSUED IN COMING WEEKS, AND THAT IS ONE OF THE ITEMS ON THE AGENDA. IT WILL BE PURSUED AND THAT'S AS FAR AS

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PASS TREASURY

I CAN GO.

Q: MR SECRETARY, ARE YOU SAYING THAT MEMBERS OF THE MINISTRY OF FINANCE ARE GOING TO SHANGHAI WITH YOU TO CONTINUE NEGOTIATIONS?

A: I AM SAYING THAT MEMBERS OF THE MINISTRY OF FINANCE WILL BE GOING TO SHANGHAI WITH ME AND IT IS THEREFORE POSSIBLE TO HAVE CONTACT WITH THEM ON THE NEGOTIATIONS. THEY ARE NOT GOING FOR THAT PURPOSE BUT THE FACT THAT THEY ARE GOING MAKES IT POSSIBLE.

Q: WHAT ARE THE ASPECTS OF THE CLAIMS/ASSETS QUESTION THAT ARE STILL UNRESOLVED?

A: SINCE THAT IS UNDER NEGOTIATION I DON'T WANT TO GO INTO DETAIL ON THAT POINT. WE HAVE MADE CONSIDERABLE PROGRESS. BOTH SIDES ARE IN TOUCH WITH EACH OTHER AND IN THEIR RESPECTIVE PRINCIPALS AND THAT PROGRESS IS CONTINUING.

Q: WOULD YOU TURN IT AROUND AND TELL US WHAT IS RESOLVED?
A: I CAN'T TELL YOU ANYTHING FURTHER ON THE CONCRETE, EXACTLY WHERE WE ARE, WHAT WE HAVE AGREED TO, WHAT WE HAVE NOT AGREED TO. I WILL HAVE TO WAIT UNTIL THAT ISSUE IS FURTHER ALONG.

Q: ON EX-IN BANK CREDITS YOU SAID THAT THE SUBJECT WILL BE SENT TO CONGRESS IN THE CONTEXT OF A TRADE AGREEMENT. I DON'T UNDERSTAND WHETHER THAT MEANS THAT PART OF THE TRADE AGREEMENT WOULD BE A CLAUSE IN THE AGREEMENT OR A CONNECTED ISSUE.

A: IT IS MY UNDERSTANDING THAT THAT IS A SEPARATE MATTER. YOU ARE TALKING NOW ABOUT OFFICIAL EX-IN BANK CREDITS. THAT IS A SEPARATE ISSUE. IT IS NOT DIRECTLY IN A TRADE AGREEMENT. IT IS REALLY A PARALLEL ISSUE ON RELATED ISSUES.

Q: ARE YOU DISAPPOINTED THAT YOU ARE GOING HOME WITHOUT ANY REAL AGREEMENT ON THE CLAIMS/ASSETS ISSUE?

A: FIRST OF ALL, I AM NOT GOING HOME YET. SECONDLY, AS I INDICATED EARLIER ON BEFORE WE STARTED OUT THAT THIS IS A DIFFICULT PROBLEM, A LONG-STANDING PROBLEM. BOTH SIDES HAVE WORKED VERY HARD TO RESOLVE IT AND I AM VERY ENCOURAGED THAT WE HAVE ALREADY MADE SUBSTANTIAL PROGRESS. WE WILL JUST HAVE TO WAIT AND SEE WHAT HAPPENS NOW.

" MR SECRETARY, WHAT WILL BE THE PURPOSE OF THE VISIT OF THE FEDERAL RESERVE SYSTEM?

A: THE PURPOSE WOULD BE TO TAKE UP THE CONTACT BETWEEN THE TWO CENTRAL BANKS AND TO EXCHANGE FURTHER INFORMATION

Q: THEIR MUTUAL OPERATIONS AND ESTABLISH PRACTICAL METHODS FOR CONTACT AND COOPERATION BETWEEN THEM IN THE FUTURE.

Q: THE BRANCH OF THE BANK OF CHINA TO BE OPENED IN THE US WILL IT BE AUTHORIZED TO DO BUSINESS, TAKE DEPOSITS, MAKE LOANS TO THE PUBLIC GENERALLY WHICH IS TO SAY BUSINESS PRIMARILY, OR WILL BE BE CONFINED IN ITS RELATIONS WITH OTHER BANKS, WITH COMMERCIAL BANKS?

A: THAT REALLY HAS NOT BEEN DECIDED. THE ONLY THING THAT WAS DISCUSSED IS THE ESTABLISHMENT OF A BRANCH OF THE BANK OF CHINA IN THE US AND INDICATION BY THE CHINESE SIDE THAT THEY INTENDED TO DO SO AT AN EARLY DATE. THE TERMS AND CONDITIONS, THE KIND OF FACILITIES THAT THAT BANK WOULD PROVIDE REALLY WERE NOT DISCUSSED.

Q: WILL THE CLAIMS/ASSETS ISSUE HAVE TO BE RESOLVED BEFORE THE BANK OF CHINA BRANCH CAN BE LOCATED IN THE US?

A: AS I HAVE PREVIOUSLY INDICATED, VIRTUALLY EVERY ASPECT OF OUR ECONOMIC RELATIONS WOULD BE GREATLY FACILITATED AND, INDEED, REQUIRES IN SOME INSTANCES THAT THE CLAIMS/ASSETS ISSUE IS RESOLVED. THAT SHOULD INCLUDE THIS PARTICULAR ONE ALSO I AM SURE.

Q: MR SECRETARY, AREN'T YOUR NEGOTIATIONS OVER ON THE CLAIMS/ASSETS ISSUE? YOU REALLY DON'T HAVE ANY OTHER NEGOTIATIONS SCHEDULED?

A: WE CONTINUE TO BE IN TOUCH WITH EACH OTHER AND TO TALK TO EACH OTHER. WE ARE ALSO IN TOUCH WITH OUR RESPECTIVE PRINCIPALS AND THEY ARE NOT OVER.

Q: WHERE WILL THE BANK OF CHINA PUT ITS BRANCH?
A: THAT'S NOT BEEN DECIDED - IN THE US.

Q: WAS A DAE SET FOR THE NEXT MEETING? CO-DISCKFS JJ
T
ZOE TREATY?

A: IT WAS DECIDED THAT THERE WOULD BE CONTACTS THROUGH DIPLOMATIC CHANNELS IN THE MONTHS OF MARCH WITH THE LIKELIHOOD OF A FURTHER MEETING BETWEEN CHINESE AND AMERICAN OFFICIALS IN APRIL.

Q: WILL SOME KIND OF DOCUMENT BE ISSUED INDICATING IN MORE DETAIL WHAT HAS BEEN ACCOMPLISHED?

A: NO.

Q: WOULD YOU BE MORE SPECIFIC THEN ON FACILITATION OF BUSINESS RELATIONS, ON AVIATION, ON PATENTS, COPYRIGHTS, THE OTHER THINGS THAT YOU MENTIONED?

A: THERE ARE NO SPECIFIC NEGOTIATIONS ON AVIATION, OR SHIPPING OR ANY OF THESE MATTERS. WHAT WAS DECIDED WERE THE HEADINGS OF A TRADE AGREEMENT. THE ISSUES THAT HAD TO BE INCLUDED IN A TRADE AGREEMENT, THE METHOD OF NEGOTIATING THIS, THE PRIORITIES, THE PRIORITIES BEING BUSINESS FACILITATION, A TIME TABLE FOR DEALING WITH THESE MATTERS ALONG THE LINES THAT I HAVE PREVIOUSLY INDICATED SEVERAL TIMES. WE DID NOT DO ANY NEGOTIATION ON BUSINESS FACILITIES. WE DID NOT ATTEMPT TO NEGOTIATE AN AIR AGREEMENT OR SHIPPING AGREEMENT, OR TO RESOLVE THE QUESTION OF COPIES OR PATENTS, NOR DID WE EVER INTEND TO

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PASS TREASURY

CONSIDER OBSTACLES TO PROGRESS ON THESE ISSUES OR ANY STUMBLING BLOCKS, OR WAS IT ALL SMOOTH SAILING AND JUST A MATTER OF TIME FOR MORE TIME OR ARE THERE TOUGH PROBLEMS THAT YOU DIDN'T ANTICIPATE?

A: I WOULD SAY THAT I FULLY EXPECTED THAT THE CLAIMS/ASSETS ISSUE WOULD BE ONE IN WHICH A NUMBER OF TOUGH PROBLEMS WERE TO BE SOLVED. THAT TURNED OUT TO BE THE CASE. AT THE SAME TIME, CONSIDERABLE PROGRESS HAS BEEN MADE, CERTAINLY AS MUCH AS I HAD EXPECTED AND HOPED AT THIS POINT. ON ALL OF THE OTHER MATTERS IN THE FOUR DAYS OF VERY INTENSIVE MEETINGS NOT ONLY BY MYSELF BUT BY MY COLLEAGUES I WOULD SAY NO OBSTACLES OR SPECIAL PROBLEMS HAVE DEVELOPED THAT I AM AWARE OF. THE ATMOSPHERE HAS BEEN PRAGMATIC AND GOOD AND I THINK WE ARE WELL ON THE WAY TOWARD WORKING OUT EACH OF THESE INDIVIDUAL ITEMS THAT I TO BE PART OF A TRADE AGREEMENT OR THAT HAVE TO BE WORKED OUT PARALLEL TO IT SO THAT I AM ENCOURAGED THAT THE PROSPECTS FOR ESTABLISHING AN ECONOMIC PARTNERSHIP AND MAKING THESE AGREEMENTS IN THE FORESEEABLE FUTURE ARE GOOD.

O: ARE YOU SAYING THAT IN TERMS OF WHAT YOU HAVE SUCCEEDED IN DOING IS SETTING UP AN AGENDA FOR FUTURE NEGOTIATIONS? IS THAT WHAT IT AMOUNTS TO?

A: NO, I AM SAYING WHAT I HAVE BEEN SAYING ALL ALONG, MR LEVINE.

O: MR SECRETARY, HAS YOUR MISSION BEEN ENTIRELY UNAFFECTED BY THE CONFLICT ON THE BORDER?

A: IT HAS NOT BEEN AFFECTED BY IT.

O: MR SECRETARY, THE PROGRESS THAT YOU HAVE MADE ON THE CLAIMS/ASSETS ISSUE - CAN YOU GIVE US SOME INDICATION OF WHAT THAT HAS BEEN - MORE SPECIFICS?

A: I WOULD RATHER NOT GO FURTHER AT THIS POINT AND INDICATE THAT WE HAVE MADE SUBSTANTIAL PROGRESS, BUT ARE CONTINUING TO WORK ON THIS PROBLEM.

O: IS THERE PROGRESS IN THE SENSE OF DEFINING WHAT THE PROBLEM IS OR PROGRESS IN THE SENSE OF HAVING SETTLED SOME SPECIFIC ELEMENT OF IT?

A: IT IS PROGRESS NOT ONLY IN DEFINING BUT IN HARROWING DIFFERENCES OF POINTS OF VIEW, WORKING THEM OUT AND VING TOWARD AN AGREEMENT. IN THAT SENSE WE HAVE MADE CONSIDERABLE PROGRESS.

O: MR SECRETARY, DECIDING WHAT THE CONTENT OF A TRADE AGREEMENT WOULD BE - WAS IT AGREED THAT THERE SHOULD BE

1. SETS IN TERMS OF DOLLARS OR VOLUME FORECASTED OVER THE PERIOD OF AGREEMENT?

A: IT WAS AGREED THAT THERE SHOULD BE SUBSTANTIAL INCREASES IN THE VOLUME OF TRADE THAT SHOULD BE EXPRESSED IN VOLUME TERMS.

O: MR SECRETARY, YOU WERE ASKED THIS MORNING BY ONE OF THE BUSINESSMEN IF YOU KNEW ANYTHING ABOUT THE CHINESE REPORTED DECISION TO CANCEL A NUMBER OF CONTRACTS WITH JAPANESE TRADING COMPANIES, ABOUT 12 BILLION WORTH OF CONTRACTS. YOU DIDN'T KNOW ANYTHING THIS MORNING. HAVE YOU HAD A CHANCE TO LEARN ANYTHING ABOUT THAT?

A: NOT A MOMENT'S CHANCE TO LEARN ANYTHING ABOUT IT. HAVEN'T HEARD ABOUT IT SINCE AND HAVEN'T INQUIRED INTO IT SINCE. I HAVE BEEN TOO BUSY NEGOTIATING AND DOING A FEW OTHER THINGS. I JUST DON'T KNOW ANY MORE.

O: MR SECRETARY, I'D LIKE TO ASK THIS GENTLEMAN'S QUESTION ANOTHER WAY. HAS THERE BEEN ANY INDICATION THAT THE CHINESE ARE UNHAPPY OVER THE US CRITICISM OF THE WAR, IS IT CAUSING THEM TO DRAG THEIR FEET OVER SOME OF THESE ISSUES?

A: I HAVE HAD NO INDICATION OF THAT.

O: MR SECRETARY, HAVE YOU BEEN IN CONTACT WITH PRESIDENT CARTER ON THE VAR ISSUES DURING THE PAST FOUR DAYS?

A: THAT QUESTION HAS BEEN ASKED A NUMBER OF TIMES AND I HAVE ANSWERED IT A NUMBER OF TIMES. I DON'T REALLY HAVE ANYTHING FURTHER TO SAY ON THE ISSUE OF VIETNAM. I'D LIKE TO CONCENTRATE ON THE TRADE CONSIDERATIONS.

O: MR SECRETARY, AT THIS POINT IN THE NEGOTIATIONS WHAT WOULD YOU PREDICT WHEN THE TRADE AGREEMENT MIGHT BE READY FOR SIGNING?

A: I THINK IT WILL TAKE SEVERAL MONTHS BUT IT IS OUR INTENTION TO TRY TO NEGOTIATE THAT AGREEMENT SO THAT WE CAN PRESENT IT TO OUR CONGRESS THIS YEAR. THAT WOULD CERTAINLY BE OUR HOPE.
THANK YOU MR SECRETARY.

END TEXT.

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